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TAGS: [PREL](#) [PGOV](#) [ECON](#) [EAGR](#) [EIND](#) [ETRD](#) [ELAB](#) [PHUM](#) [AR](#)
SUBJECT: ARGENTINA POISED FOR RESUMPTION OF AGRICULTURAL STRIKES

REF: A. BUENOS AIRES 328
[1](#)B. BUENOS AIRES 485
[1](#)C. BUENOS AIRES 486

Classified By: Ambassador E. Anthony Wayne for reasons 1.4 (b) & (d).

[1](#)1. (C) Summary: The 30-day truce called by Argentine farmers in their conflict with the GOA may come to an end without a negotiated solution to address the agricultural sector's grievances. Agricultural sector contacts tell us that lack of progress in the negotiations is bringing Argentina closer to a resumption of farm strikes, and public comments by agricultural sector spokesmen are becoming more foreboding. Press reports indicate there is no agreement on major issues (e.g., export taxes on soybeans and other grains, resumption of beef and wheat exports, or revised domestic prices of beef and milk). President Fernandez de Kirchner (CFK) lambasted the agrarian sector in widely publicized remarks April 22 which may have undermined the "divide-and-conquer" strategy she had been pursuing. The negotiations are marked by an atmosphere of mistrust, exacerbated by the notorious bullying tactics of Interior Commerce Secretary Guillermo Moreno. The GOA's failure to resolve the agricultural crisis has led to renewed anxiety about food prices and supplies, and it has led to speculation about imminent cabinet changes. We are told that the Cabinet in-fighting is particularly vicious at the moment, with those favoring dialogue on the defensive and with Nestor Kirchner arguing for a very hard line, including refusal to consider a potential deal being discussed very "informally" among negotiators. End Summary.

Progress Lagging

[1](#)2. (SBU) Export tax increases on soybeans and sunflower seed led to the strikes, begun on March 12 (ref A) and suspended for 30 days on April 2. Negotiations are now dealing with a number of issues the rural sector has raised, including export controls on wheat and beef as well as price controls on beef and milk. After the truce was called, the GOA waited over ten days to meet with farm sector representatives, and since then it has refused to consider their main demand: the roll-back of sliding-scale export tax increases on soybeans, as well as sunflower seed, corn, and wheat. The GOA recently announced a proposal to return part of the export tax to small and medium-sized producers, but these producers have told the press they doubt they will ever see the payments. CFK has coincidentally blamed farmers en bloc for a heavy cloud of smoke that descended on the capital for over a week, claiming that they had selfishly put the country's health at risk in their greedy push to burn and clear new pastures. Other GOA officials have launched similar barbs at the agricultural sector. In anegotiating climate poisoned by

accusations and threats, Argentina appears to be on track for a resumption of strikes after the May 2 deadline.

13. (SBU) Federal prosecutors in Buenos Aires announced they were investigating Agrarian Federation (FAA) leader Alfredo De Angeli on grounds of public intimidation, mustering arms, and incitement to violence. Media had quoted De Angeli saying farmers were armed and ready to fight if attacked by pro-government teamsters. Many observers have pointed out a double standard applied to pro-government "piquetero" leader Luis D'Elia, who was photographed in March punching an anti-government protester in Plaza de Mayo and is rumored to have been carrying a gun at the time. Prosecutors have not announced any investigation of D'Elia, who, the day after leading the violent assault on anti-government protesters, was positioned on stage behind CFK, along with union leader Hugo Moyano, who had deployed truck drivers to harass and confront farmers blocking highways.

Divide and Conquer - A Failed Strategy?

14. (SBU) The Kirchners have successfully used the "divide and conquer" strategy in the past. In her public remarks, CFK has sought to demonize large-scale producers, and her team has sought to win the support of small- and medium-sized producers by offering them significant rebates of the increased export taxes. In a widely publicized speech on April 22, CFK repeatedly accused farmers of profiteering and asked them to be "reasonable" and "responsible" in their demands. She also claimed the farmers had taken a "pre-democratic slant" with their "threats and intimidation." CFK met later that day with the president of Coninagro, one of the four major agriculture organizations negotiating with the GOA, and the president of SanCor, one of Argentina's leading dairy producers, after they announced they had "major differences with the rest of the agricultural entities." Contacts indicate that although this split in the previously united farm sector shows some progress by the GOA, they do not expect it to have a major impact on negotiations. The largest member of Coninagro is SanCor, which is highly dependent on GOA subsidies and a Venezuelan government loan. April 24 press reports indicate that the other members of Coninagro's board voted to distance themselves from their president, who may reportedly take a leave of absence.

The Moreno Factor

15. (SBU) The negotiation process may be complicated by an internal GOA split. The press describes two camps: the more moderate camp, supposedly close to CFK, with Cabinet Chief Alberto Fernandez, Minister of Economy Martin Lousteau, and Agriculture Secretary Javier de Urquiza; and the hardline camp, supposedly answering to Nestor Kirchner, with Production Minister Julio De Vido and Interior Commerce Secretary Guillermo Moreno. Although Cabinet Chief Fernandez

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led the negotiations at the outset, the ubiquitous Moreno seems to have displaced him in media coverage, while Moreno's nominal boss, Economy Minister Martin Lousteau is noticeably absent, and Agricultural Secretary Urquiza is left to carry out the detailed talks. On April 21, Moreno publicly threatened to continue banning meat exports after Cabinet Chief Alberto Fernandez had announced an agreement with beef producers. He also threatened use of a draconian 1974 anti-hoarding supply law, which authorizes the GOA to set prices, intervene in companies causing supply problems, and impose jail sentences of up to 90 days. The press picked up on these signals and is speculating that a Cabinet shuffle to be announced on the May 25 holiday will remove Lousteau and possibly Fernandez to pave the way for replacements more in tune with De Vido and Moreno.

16. (C) Sources with direct access to top government and ag sector figures told the Ambassador April 23 and 24 that the Cabinet split is deep and vicious. Alberto Fernandez is

fighting for his job. Nestor Kirchner is taking a very hard line position and has lashed out repeatedly at Alberto Fernandez and others favoring dialogue. In "informal" talks, ag sector leaders and government negotiators have identified a potential framework agreement which would include a "change in methodology" in the export taxes, effectively lowering the maximum collection rate. However, thus far, Nestor Kirchner has reportedly blocked any consideration of that, and CFK has not been willing to disagree with him.

Comment

17. (C) The apparent Cabinet struggle over who controls the economic direction of the country is sending mixed signals to a farm sector already very distrustful of government intentions, making conciliation difficult. Markets are also reacting badly. As one businessman put it, "We are smelling self-destruction in the air." While some press reports claim that the Cabinet battle reflects a larger clash between the current and former presidents, we doubt it, as CFK and NK have always worked together as a unified team in the past, even if CFK is more open to dialogue than NK. However, NK has in the past allowed and fomented splits in the cabinet as a management tool, and cabinet positioning for prominence has been a fixture of both Kirchner administrations. The farm crisis has pushed it to the fore and, according to many reports, deepened the splits. A number of well-placed Argentines tell us that NK is pressuring for a more aggressive effort and fomenting the various threats aimed at the farmers because he wants a clear victory. These sources also say he and CFK are more cut off than ever from potentially moderating voices in the ruling majority. Another notable feature of the ongoing farm crisis is the complete marginalization of the Congress, which is not playing any role in resolving the dispute, and the irrelevance of the political opposition. The GOA has limited institutional capacity to deal with crises and, with unclear signals from the top, few observers are sanguine about a smooth or rapid resolution to the farm crisis, which is also inexorably tied to the GOA's other headaches of inflation concerns and energy and investment shortages.

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